



# HOUSE BUDGET COMMITTEE

## Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

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June 25, 2003

## Report Card on the Economy: A Failing Grade

Dear Democratic Colleague:

Please examine the attached Report Card on the Economy, which summarizes current data on the economy. For each economic indicator, the table shows (1) the change since President Bush was inaugurated in January 2001, (2) the short-term trend for the indicator, and (3) the most recent data point. It paints a sorry record of failure, unmatched by any President since the Great Depression.

Some have suggested that the economy is now finally poised to recover — although many of the same people believe that the Federal Reserve will cut short-term interest rates again today. If a recovery does begin now, the attached data summary suggests that the economy has a long to go just to get back where we were two years ago.

Sincerely,

/s

John M. Spratt, Jr.  
Ranking Member

# Report Card on the Economy: A Failing Grade

<u>Indicator</u>	<u>Since January 2001</u>	<u>Short-Term Trend</u>	<u>Most Recent Data</u>
<b>Labor Market Indicators</b>			
Total number of jobs	The economy has lost 2.4 million jobs since President Bush took office, the worst record of any president since the Great Depression.	Over the last six months, the total number of jobs has fallen by 342,000.	In May, the total job count edged down by 17,000, its fourth decline in the last six months.
Total private-sector jobs	The economy has shed 3.1 million private-sector jobs during this Administration, the worst record of any president since the Great Depression.	Between November 2002 and March 2003, the number of private-sector jobs declined by 332,000, and then showed essentially no change in April and May.	The number of private-sector jobs increased by a trivial 8,000 in May.
Manufacturing jobs	The economy has lost 2.4 million manufacturing jobs.	The number of manufacturing jobs has fallen for the last 34 consecutive months.	Manufacturing jobs declined by 53,000 in May.

<u>Indicator</u>	<u>Since January 2001</u>	<u>Short-Term Trend</u>	<u>Most Recent Data</u>
Unemployment rate	The unemployment rate has risen to 6.1 percent from 4.1 percent.	The unemployment rate hit 6.0 percent in January 2003, eased slightly, and then moved up again to 6.0 percent in April and 6.1 percent in May.	May's unemployment rate of 6.1 percent is the highest since July 1994.
Number of unemployed	The number of unemployed has risen by 3.0 million, to a total of 9.0 million unemployed workers.	Over the last four months, the number of unemployed has risen by 484,000.	The number of unemployed stood at 9.0 million in May 2003, its highest level in a decade.
Number of long-term unemployed	The number of workers unemployed for six months or more has tripled and stands at 1.9 million.	Over the last six months, the number of long-term unemployed has risen by 104,000.	In May, the number of long-term unemployed stood at 1.9 million, its highest level in a decade.
Help-wanted advertising	Help-wanted advertising has fallen throughout the Bush Administration and now stands at its lowest level in four decades.	In the last three months alone, the volume of help-wanted advertising has fallen by 15 percent.	In April, the volume of help-wanted advertising fell to its lowest level since September 1961.
New Claims for Unemployment Insurance	New jobless claims have risen 28 percent from 337,000 per week in January 2001 to 431,000 per week in May 2003.	New jobless claims have been above the benchmark 400,000 level — which indicates rapid job loss — for 18 consecutive weeks.	In the week of June 14, initial claims eased a bit to 421,000 from the very high 448,000 level at the end of May.

<u>Indicator</u>	<u>Since January 2001</u>	<u>Short-Term Trend</u>	<u>Most Recent Data</u>
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<b>Production Indicators</b>			
Real GDP growth	Real GDP growth has averaged 1.5 percent, the worst record for any President since the Great Depression.	Real GDP increased at only a 1.4 percent annual rate in the fourth quarter of 2002 and at only a 1.6 percent rate in the first quarter of 2003.	The respected private-sector forecasting firm Macroeconomic Advisers predicts that the growth rate for the current quarter will again be about 1.5 percent.
Real business investment	Real business investment has fallen 12 percent since the President was inaugurated. In fact, real investment spending has declined every quarter except one during this time.	Real investment spending managed its only gain of the last ten quarters in the fourth quarter of 2002. But, investment then fell sharply in the first quarter of 2003.	Real investment spending fell at a 4.8 percent annual rate in the first quarter, its sharpest quarterly decline in a year.
Nondefense capital goods orders	New orders for investment goods stand 17.2 percent below their level in January 2001.	Nondefense capital goods orders have been essentially flat for the last two years.	New nondefense capital goods orders fell 0.9 percent in March and stand no higher today than in December 2001.
Industrial production	The index of industrial production has fallen by 4.0 percent since the President took office.	Industrial production recovered from its low point in December 2001 before heading down again after July 2002. Since then, it has drifted down, sliding 1.8 percent over the last ten months.	In May, the index of industrial production edged up 0.2 percent.

<u>Indicator</u>	<u>Since January 2001</u>	<u>Short-Term Trend</u>	<u>Most Recent Data</u>
Capacity utilization	Utilization has fallen to 74.3 percent of capacity from 80.2 percent in January 2001.	Capacity utilization has fluctuated at a low level in recent months and has not exceeded 76.5 percent since August 2001.	Capacity utilization did not change in May, reflecting the minimal growth for the month in industrial production.
Real nonresidential construction	Real construction of new plants, office buildings, and other facilities has fallen 26.2 percent since the President's inauguration.	Real nonresidential construction has declined in five of the last six months, declining 4.7 percent over that period.	Real nonresidential construction fell 0.6 percent in April, its third consecutive monthly drop.

<u>Indicator</u>	<u>Since January 2001</u>	<u>Short-Term Trend</u>	<u>Most Recent Data</u>
<b>Confidence Indicators</b>			
Consumer confidence index	The Conference Board's index of consumer confidence has fallen 27.8 percent since January 2001.	Consumer confidence has recovered slightly from its low point during the Iraq war but still stands 21.4 percent below its level a year ago.	Confidence was essentially unchanged in June at 83.5, essentially the same reading as six months ago.
Consumer sentiment index	The University of Michigan's index of consumer sentiment has dropped 7.9 percent since President Bush took office.	The sentiment index has recovered slightly from its low point during the Iraq war but still stands 5.6 percent below its level a year ago.	In June, the sentiment index dropped 5.3 percent, and now stands only slightly above its level six months ago.

<u>Indicator</u>	<u>Since January 2001</u>	<u>Short-Term Trend</u>	<u>Most Recent Data</u>
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<b>International Indicators</b>			
Trade deficit	The trade gap has increased by almost \$100 billion under this Administration, going from an annual rate of \$396 billion to \$494 billion.	The trade deficit has been deteriorating at an alarming rate since the spring of 2002.	In April, the trade gap was essentially unchanged after a sharp deterioration the month before.
U.S. foreign debt	The U.S. net international investment position showed a net debt of \$2.3 trillion in 2001, substantially worse than the \$1.6 trillion figure for 2000.	The U.S. net foreign debt probably deteriorated further in 2002, to about \$2.7 trillion, based on the size of last year's trade deficit.	The sharp, continued worsening of the trade deficit this year suggests that the U.S. net foreign debt will grow to well over \$3 trillion by the end of the year.